

Message Text

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ORIGIN OPIC-06

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FM SECSTATE WASHDC

TO AMEMBASSY SAN JOSE

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E.O. 11652: NA

TAGS: CS/, EINV

SUBJ: MORTON B. TURBOW PROJECT

REF: SAN JOSE 4870

1. APPRECIATE EMBASSY'S COMMENTS ON TURBOW APPLICATION. ALTHOUGH REFTEL SUGGESTS THAT PROJECT CONSTITUTES INVESTMENT BY TURBOW IN REAL ESTATE DEVELOPMENT, IN FACT TURBOW APPLICATION REPRESENTS EFFORTS OM HIS PART TO ESTABLISH A FINANCIAL VEHICLE, IN THE FORM OF AMORTGAGE POOL, BY WHICH UNITED STATES SAVINGS AND LOAN FUNDS CAN BE HARNESSSED FOR REAL ESTATE CONSTRUCTION IN LESS DEVELOPED COUNTRIES. UNDER CURRENT FEDERAL HOME LOAN BANK BOARD LEGISLATION AND REGULATIONS, S&L FUNDS CANNOT BE UTILIZED IN THIS TYPE OF PROJECT OFF-SHORE WITHOUT OPIC OR SIMILAR INSURANCE.

2. TURBOW'S ROLE AS PROMOTER IN PROJECT IS TO CONVINCE US S&L INSTITUTIONS TO INVEST IN MORTGAGE POOL IN COSTA RICA, THE PROCEEDS OF WHICH WILL BE USED TO PROVIDE LONG TERM FINANCING

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FOR RESIDENTIAL CONSTRUCTION. PURSUANT TO DISCUSSIONS WITH OPIC,

THE MORTGAGE POOL WOULD BE GUARANTEED BY BANCO DE CARTAGO HEREDIA (OWNED BY THE GOCR) WHICH IN TURN WOULD BE GUARANTEED BY DEPARTAMENTO CENTRAL DE AHORRO Y PRESTAMO OF THE BANCO CREDITO AGRICOLA DE CARTAGO (THE COSTA RICAN EQUIVALENT OF USG'S FEDERAL HOUSING ADMINISTRATION). PROCEEDS OF MORTGAGE POOL WOULD THEN BE USED TO PROVIDE THE LONG-TERM MORTGAGE MONEY TO TAKE OUT THE CONSTRUCTION LOANS ON THE HOUSING PROJECT.

3. HOUSES WILL BE SOLD ONLY TO COSTA RICANS AND OPIC IS AWARE THAT COST OF HOUSES, AS PROJECTED BY TURBOW, WILL PUT THEM PRINCIPALLY WITHIN REACH OF UPPER MIDDLE AND UPPER INCOME SECTORS OF THE COSTA RICAN POPULATION.

4. OPIC WOULD INSURE TURBOW'S FINANCIAL CONTRIBUTION TO THE POOL (OR THAT OF HIS COMPANY-PUERTO RICO FINANCIAL CORP), ALONG WITH THE CONTRIBUTIONS OF THE INDIVIDUAL US SAVINGS & LOAN INSTITUTIONS. THE INSURANCE COVERAGE (WHICH WILL PROBABLY BE LIMITED TO CONVERTIBILITY AND EXPROPRIATION COVERAGE) WOULD BE ARRANGED SO THAT UNDER NO RELEVANT NOT CIRCUMSTANCES WOULD THE USG, OR ANY AGENCY THEREOF, BE INVOLVED IN ANY FORECLOSURE PROCEEDINGS IN THE EVENT OF MORTGAGE DEFAULTS.

5. TURBOW HOPES TO USE COSTA RICAN PROJECT AS PROTOTYPE FOR SIMILAR PROJECTS ELSEWHERE IN LATIN AMERICA.

6. VISIT OF OPIC OFFICERS TO SAN JOSE JAN 30 WILL PROVIDE OPPORTUNITY TO DISCUSS TURBOW PROJECT AND INTERESTED PARTIES DIRECTLY WITH EMBASSY. APPRECIATE EMBASSY REACTION TO THIS MESSAGE AT THAT TIME OR SOONER IF EMBASSY DESIRES. KISSINGER

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